

BARREN COUNTY BOARD OF EDUCATION

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2012**

BARREN COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2012

| | <u>Pages</u> |
|--|--------------|
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-10 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 11 |
| Statement of Activities | 12 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 13 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets | 14 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Statement of Net Assets – Proprietary Funds | 17 |
| Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds | 18 |
| Statement of Cash Flows – Proprietary Funds | 19 |
| Statement of Fiduciary Net Assets – Fiduciary Funds | 20 |
| Statement of Changes in Fiduciary Net Assets – Fiduciary Funds | 21 |

BARREN COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

| | |
|--|-------|
| Notes to Basic Financial Statements | 22-42 |
| Required Supplementary Information: | |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 43 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue | 44 |
| Supplementary Information: | |
| Combining Statements – Nonmajor Funds: | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 45 |
| Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds | 46 |
| Statement of Receipts, Disbursements and Fund Balances – Barren County High School Activity Funds | 47 |
| Statement of Receipts, Disbursements and Fund Balances – Middle School and Elementary Schools Activity Funds | 48 |
| Schedule of Expenditures of Federal Awards | 49 |
| Notes to the Schedule of Expenditures of Federal Awards | 50 |
| Schedule of Findings and Questioned Costs | 51-52 |
| Schedule of Prior Audit Findings | 53 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 54-55 |
| Independent Auditor's Report on Compliance With Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 | 56-57 |

CAMPBELL, MYERS, & RUTLEDGE, PLLC

Certified Public Accountants

Cindy L. Greer, CPA
L. Joe Rutledge, CPA
Jonathan W. Belcher, CPA
R. Brent Billingsley, CPA

Skip R. Campbell, CPA
Sammie D. Parsley, CPA
Ryan A. Mosier, CPA
Jenna B. Pace, CPA

410 South Broadway
Glasgow, KY 42141
Telephone (270) 651-2163
Fax (270) 651-6677
www.cmr-cpa.com

Independent Auditor's Report

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Barren County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and the audit requirements prescribed by the *Kentucky State Committee for the School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Barren County Board of Education, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012, on our consideration of the Barren County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 43 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Barren County Board of Education's financial statements as a whole. The combining and individual nonmajor fund financial statements, and the Agency fund financial information on pages 45-48, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the Agency fund financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Campbell, Myers & Rutledge, PLLC
Certified Public Accountants

November 1, 2012

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

As management of the Barren County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$2,038,547.80 in the General Fund.
- State revenue for the Capital Outlay Fund increased \$1,489 over 10-11; a .3% increase. Under the auspices of House Bill 269, the Board of Education voted to use if necessary \$ 426,088 of Capital Outlay funds to offset general fund maintenance expenditures and property insurance. The Board of Education used \$ 215,101 for maintenance and property insurance; the remaining amount of \$ 210,975 was used for bond payments for buildings. Due to reduced funding at the state level for the building fund, the board was forced to use \$ 125,046 more in Capital Outlay funds than the previous year in order to make debt service payments.
- State revenue for the Building Fund overall **decreased** by \$91,295 from the previous year, while tax revenue for that fund increased by \$52,932, resulting in an overall decrease of \$ 38,363 (1%). Lowering property values and lack of new construction have significantly slowed the growth of this fund, as well as reduced funding from the state in the amounts of \$ 48,617 (FSPK) and \$ 135,423 (Original Growth Nickel).
- There were two inter-fund transfers from the General Fund to the KETS grant for the technology offer of assistance totaling \$ 85,114, which was a decrease of \$ 18,571 from the previous school year. This represents a 17.9% decrease.
- The General Fund had \$35,769,373.18 in revenue, which includes \$6,413,954.42 in on behalf payments. General Fund expenditures were \$33,682,465.78 with a carryover of \$ 2,086,907.40. This was an increase of \$ 48,359.60 from the previous year, a 2.4% increase. In addition to greater efficiency this fiscal year which allowed us to keep our expenses low while maintaining revenue at previous levels, Ed Jobs funds filled the whole created by a pro rata reduction in funding in the amount of \$320,191 in base SEEK funding and \$ 75,918 in Tier 1 Funding which was handed down from KDE and the general assembly. That was a total reduction to the SEEK formula of \$ 396,109 or 2.1%. Our board remains vigilant in monitoring the impact reduced federal funding will have on student services, especially given the news coming out of Washington regarding the impending sequestration funding cut originally scheduled to hit January 1st 2012, but has recently been pushed back until September 30th, 2013.
- District leaders continued construction on a 15,000 sq ft ROTC complex and made major renovations to the Barren County High Campus including exterior work, band room, and media center upgrades. The projected budget for this project is \$5,000,000. The Board partnered with the Glasgow Water Company to provide \$ 136,000 in Funds to complete a \$ 500,000 sewer project that put Austin Tracy School on the city sewer system and permanently replaced the existing on-site sewage treatment pit.
- Fund 54 is a proprietary fund for the community education classes, in which enrollees pay fees to reimburse instructors.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

- Fund 61 is a proprietary fund for the operation of the after school program, Trojan Times, initiated during 02-03 to provide after school care and homework help for our students in conjunction with ESS activities to improve scholastic performance and enrichment activities to which students may not otherwise have access.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are food service operations (Fund 51), after school program (Fund 52), adult community education program (Fund 54), and fiscal agent fund, Trojan Times (Fund 61).

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$18,449,172 as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2012 in comparison to June 30, 2011

| | <u>June 30, 2012</u> | <u>June 30, 2011</u> |
|--|-----------------------------|-----------------------------|
| Current assets | \$ 17,591,456 | \$ 10,398,757 |
| Noncurrent assets | <u>75,101,952</u> | <u>71,378,708</u> |
| Total assets | <u>92,693,408</u> | <u>81,777,465</u> |
| | | |
| Current liabilities | 16,833,884 | 9,228,291 |
| Noncurrent liabilities | <u>57,410,353</u> | <u>54,630,541</u> |
| Total liabilities | <u>74,244,237</u> | <u>63,858,832</u> |
| | | |
| Net assets: | | |
| Investment in capital assets (net of debt) | 14,409,190 | 9,164,658 |
| Restricted | 1,270,823 | 5,835,723 |
| Unrestricted | <u>2,769,158</u> | <u>2,918,252</u> |
| Total net assets | <u><u>\$ 18,449,171</u></u> | <u><u>\$ 17,918,633</u></u> |

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

Comments on Budget Comparisons

The following table presents a summary of general fund revenue and expense for the fiscal year ended June 30, 2012.

| | <u>June 30, 2012</u> | <u>June 30, 2011</u> |
|---------------------------|----------------------|----------------------|
| Revenues: | | |
| Local revenue sources | \$ 10,350,240 | \$ 10,310,039 |
| State revenue sources | 35,466,039 | 35,570,916 |
| Other sources | 664,034 | 293,386 |
| Total revenues | \$ 46,480,313 | \$ 46,174,341 |
| Expenses: | | |
| Instruction | \$ 25,959,442 | \$ 25,087,778 |
| Student support services | 1,293,501 | 1,326,519 |
| Instructional support | 1,345,760 | 1,370,444 |
| District administration | 1,885,142 | 1,654,698 |
| School administration | 1,999,546 | 2,138,203 |
| Business support | 756,990 | 814,038 |
| Plant operations | 4,000,951 | 4,303,763 |
| Student transportation | 2,849,676 | 2,667,136 |
| Community service act | 335,600 | 343,079 |
| Other | 647,015 | 339,621 |
| Interst on long-term debt | 2,368,211 | 2,402,358 |
| Depreciation | 2,016,487 | 2,198,366 |
| Total expenses | \$ 45,458,321 | \$ 44,646,003 |
| Change in net assets | <u>\$ 1,021,992</u> | <u>\$ 1,528,338</u> |

General Fund Revenue Chart 1

The majority of revenue was derived from state sources 69.7% with local funding making up 23.6% of total revenue, beginning balance 5.7%, federal revenue .2%, and other sources .7%.

General Fund Expenditures Chart 2

Site Based Decision Making Councils expended 58.7% of the general fund budget. The remaining 41.3% was expended for instructional staff support services, district administrative support, business support services, plant operation and maintenance, student transportation, new construction and renovation. A breakdown of these expenditures is found in Chart 2.

District Wide Support Services Chart 3

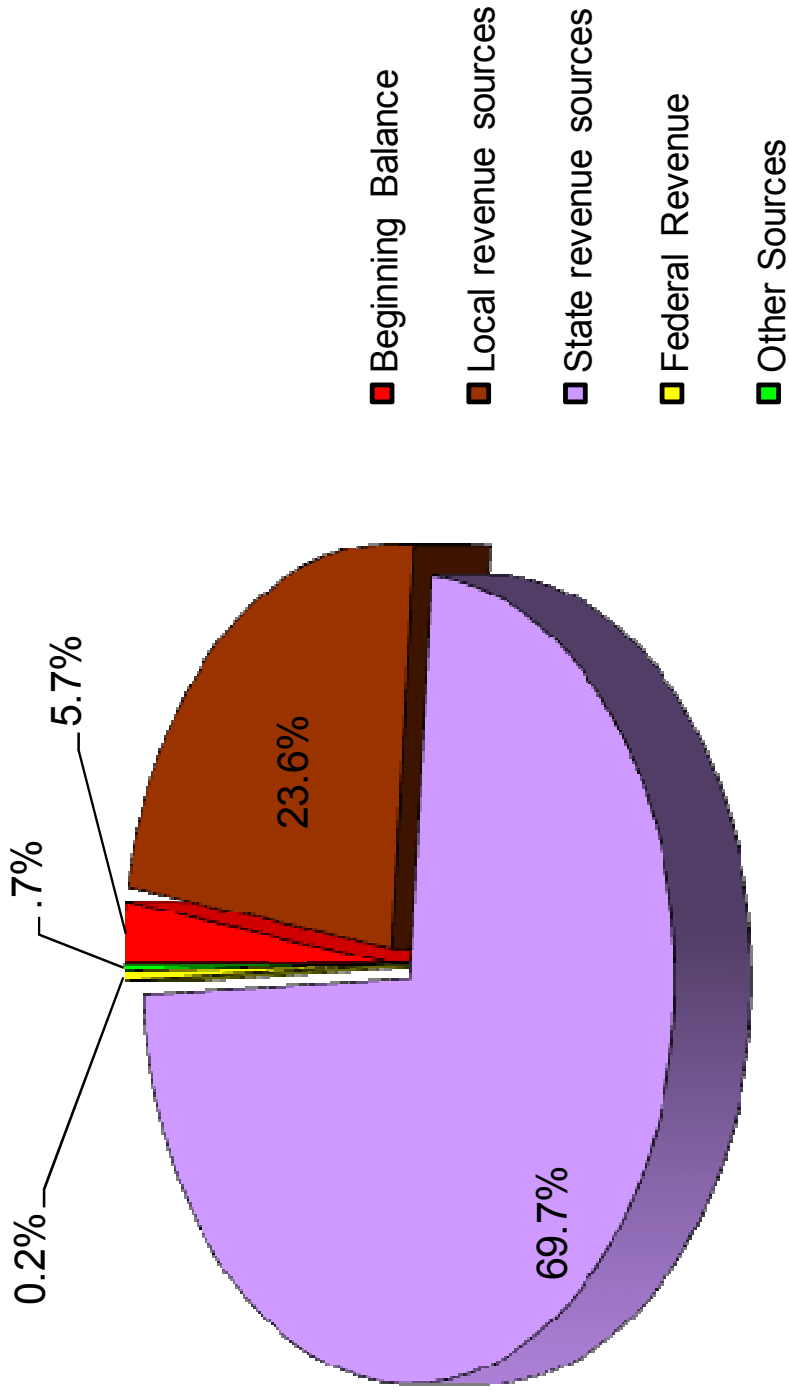
District Wide support services expenditures were Instructional Staff Support, Administrative Support, Business Support, Plant Operation and Maintenance, Student Transportation and Central Office Support. A breakdown of these expenditures is found in Chart 3.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

General Fund Revenue Chart 1

The majority of revenue was derived from state sources 69.7% with local funding making up 23.6% of total revenue, beginning balance 5.7%, federal revenue .2%, and other sources .7%.

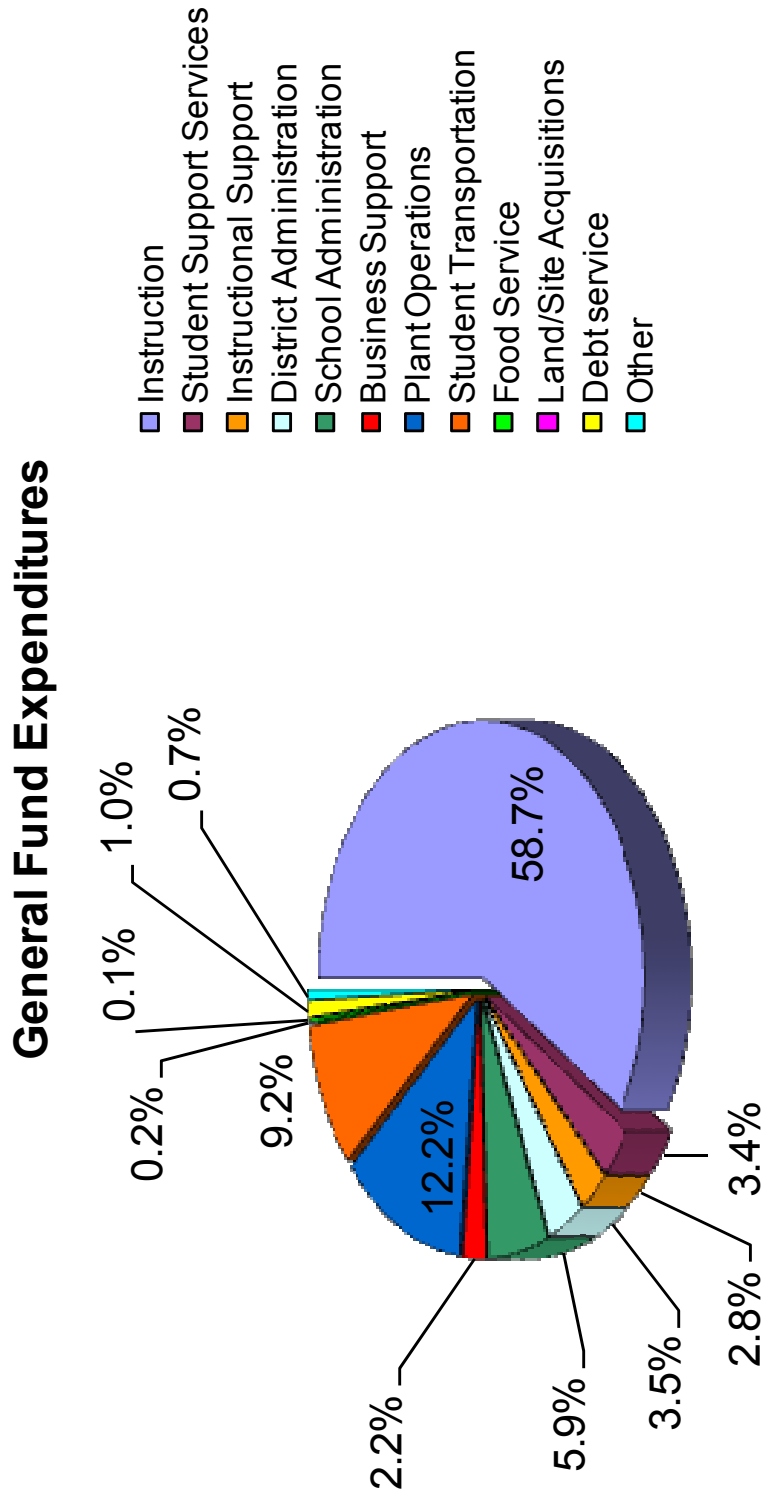
General Fund Revenue



**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

General Fund Expenditures Chart 2

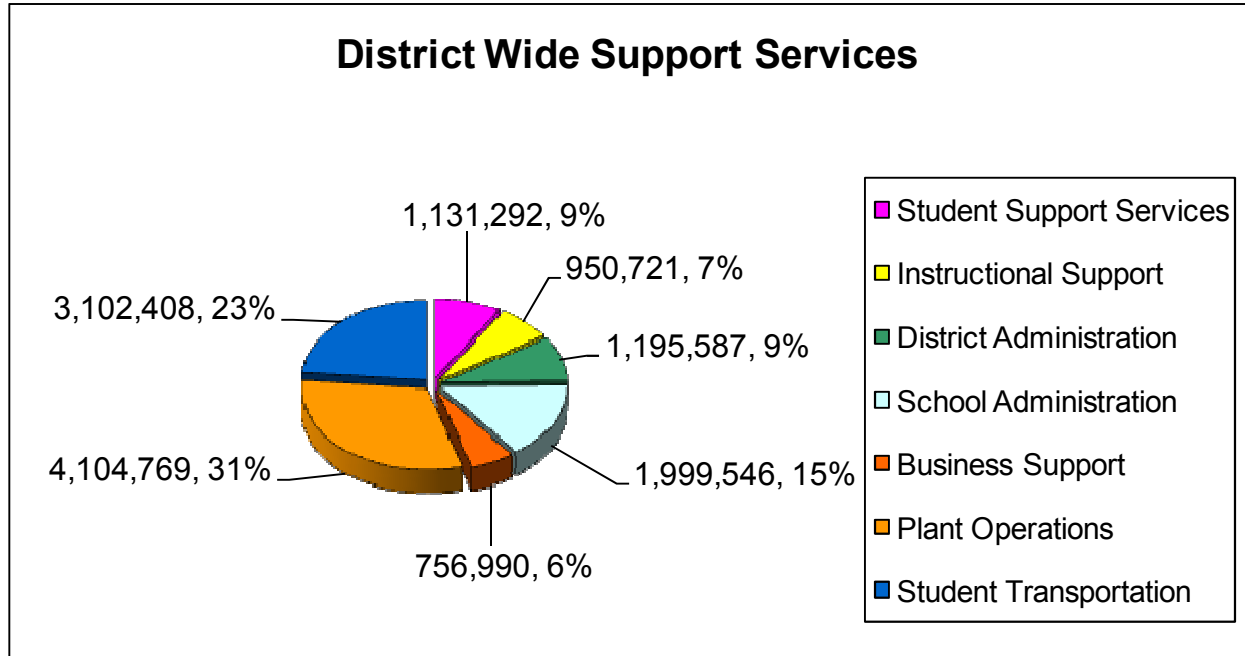
Site Based Decision Making Councils expended 58.7% of the general fund budget. The remaining 41.3% was expended for instructional staff support services, district administrative support, business support services, plant operation and maintenance, student transportation, food service, site acquisitions, and renovation. A breakdown of these expenditures is found in Chart 2.



**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

District Wide Support Services Chart 3

District Wide support services expenditures were Instructional Staff Support, Administrative Support, Business Support, Plant Operation and Maintenance, Student Transportation and Central Office Support. A breakdown of these expenditures is found in Chart 3.



Long-term debt payments in the amount of \$3,907,078.65 were expended during 2011-12 for the following bond issues:

Bond series 2002 (Temple Hill Elementary)
Bond series 2002R (Barren County Middle School)
Bond series 2004 (Middle School/Vocational School/Eastern)
Bond series 2005R (Hiseville)
Bond series 2006 (Trojan Academy)
Bond series 2008 (NJE Jackson Site Work)
Bond series 2008B (North Jackson Elementary)
Bond series 2009R (Refinance Red Cross and AT 1998 and 1998R Series)
Bond series 2010 (North Jackson Expansion)
Bond series 2010R (Refinance Park City 2001 Series)
Bond series 2010B-(Refinance Temple Hill 2002 Series)
Bond series 2011 (BCHS Expansion ROTC)
Bond series 2011 QZAB (BCHS Renovation/Band)
Bond Series Energy Management

Interest in the amount of \$ 1,825,929 and bond principal payments in the amount of \$ 2,081,150 were expended from the Building Fund and Capital Outlay. General Fund interest and principal in the amount of \$ 103,875.50 was expended for Energy Management Bond Series.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

BUDGETARY IMPLICATIONS

In Kentucky, the public schools fiscal year is July 1 to June 30: other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The Barren County Board of Education adopted a budget for 2011-12 with a 5.6 % contingency. Significant Board action that impacts financial status included reduction of \$10 per student for schools SBDM budgets, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of such Board initiatives as student accident insurance coverage, fee money provision for elementary and middle school students, resource curriculum specialists shared between all grade levels, technology resource specialists, all day kindergarten, open enrollment for preschool students, after school child care, summer feeding program, MAP testing for grades 3 through 9, and additional preschool funding. Renovations to the Barren County High School exterior as well as the band room were completed. Construction of the new ROTC training facility was completed as well.

The Board is very concerned about our future financial prospects in regards to the series of reductions in funding we have experienced over the past several years. All flex focus budgets have been reduced, Textbook Funding has been eliminated, Family Resource Budgets have been reduced a number of times, and even the basic SEEK funding formula and Building Fund has been reduced. The last of the Ed Jobs funding will be depleted in the beginning months of FY13, so the ability of the board to fill state funding holes with federal stimulus dollars as has been done over the past two years will no longer be an option. Unfortunately, the fiscal outlook for FY14 is not any better. In fact, we know that SEEK per pupil funding will be reduced an additional \$6 per child in addition to the \$ 70 reduction we are experiencing in FY13. On top of the state funding cuts, federal revenue sources have the potential to be reduced as well through a process called sequestration. If those cuts are permitted to pass, it would further reduce our FY14 revenue by an additional \$ 250,000 to \$ 350,000. Even facing these adverse financial challenges, we continue to address our growing student population and actively evaluate possible land purchases and new construction opportunities to further meet our students' needs and to ultimately reach higher and achieve more.

Questions regarding this report should be directed to the Superintendent Bo Matthews. **(270-651-3787)** or to John E. Stith, Director of Financial Services **(270-651-3787)** or by mail at 202 W. Washington Street, Glasgow, KY 42141.

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|--------------------------------|----------------------|
| Assets: | | | |
| <u>Current Assets:</u> | | | |
| Cash and cash equivalents | \$ 2,566,746 | \$ 387,778 | \$ 2,954,524 |
| Inventory | - | 43,469 | 43,469 |
| Accounts receivable | | | |
| Taxes - current | 236,374 | - | 236,374 |
| Accounts receivable | 225,940 | 15,541 | 241,481 |
| Intergovernmental - indirect federal | 839,159 | - | 839,159 |
| Bond discounts, net | 438,224 | - | 438,224 |
| Investments | 12,838,225 | - | 12,838,225 |
| Total current assets | <u>17,144,668</u> | <u>446,788</u> | <u>17,591,456</u> |
| <u>Noncurrent Assets:</u> | | | |
| Nondepreciated Capital Assets | 6,888,211 | - | 6,888,211 |
| Capital assets | 91,392,198 | 9,234,353 | 100,626,551 |
| Less: accumulated depreciation | <u>(29,179,401)</u> | <u>(3,233,409)</u> | <u>(32,412,810)</u> |
| Total noncurrent assets | <u>69,101,008</u> | <u>6,000,944</u> | <u>75,101,952</u> |
| Total assets | <u>86,245,676</u> | <u>6,447,732</u> | <u>92,693,408</u> |
| Liabilities: | | | |
| <u>Current Liabilities:</u> | | | |
| Checks issued in excess of deposits | 489,642 | - | 489,642 |
| Accounts payable | 478,357 | 119,110 | 597,467 |
| Deferred revenue | 345,473 | - | 345,473 |
| Current portion of bond obligations | 14,215,000 | - | 14,215,000 |
| Current portion of capital lease obligations | 336,603 | - | 336,603 |
| Current portion of accrued sick leave | 60,669 | - | 60,669 |
| Interest payable | 789,030 | - | 789,030 |
| Total current liabilities | <u>16,714,774</u> | <u>119,110</u> | <u>16,833,884</u> |
| <u>Noncurrent liabilities:</u> | | | |
| Noncurrent portion of bond obligations | 54,937,600 | - | 54,937,600 |
| Noncurrent portion of capital lease obligations | 2,140,759 | - | 2,140,759 |
| Noncurrent portion of accrued sick leave | 331,994 | - | 331,994 |
| Total noncurrent liabilities | <u>57,410,353</u> | <u>-</u> | <u>57,410,353</u> |
| Total liabilities | <u>74,125,127</u> | <u>119,110</u> | <u>74,244,237</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 8,408,246 | 6,000,944 | 14,409,190 |
| Restricted for: | | | |
| Construction | 52,598 | - | 52,598 |
| Debt service | 1,218,225 | - | 1,218,225 |
| Unrestricted | 2,441,480 | 327,678 | 2,769,158 |
| Total net assets | <u>\$ 12,120,549</u> | <u>\$ 6,328,622</u> | <u>\$ 18,449,171</u> |

See independent auditor's report and
accompanying notes to basic financial statements.

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

| Functions / Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|------------------|----------------------------|--|--|--|----------------------------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business - Type Activities | Total |
| | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 25,959,442 | \$ - | \$ 7,551,909 | \$ - | \$ (18,407,533) | \$ - | \$ (18,407,533) |
| Support Services | | | | | | | |
| Student | 1,293,501 | - | - | - | (1,293,501) | - | (1,293,501) |
| Instruction staff | 1,345,760 | - | - | - | (1,345,760) | - | (1,345,760) |
| District administrative | 1,885,142 | - | - | - | (1,885,142) | - | (1,885,142) |
| School administrative | 1,999,546 | - | - | - | (1,999,546) | - | (1,999,546) |
| Business | 756,990 | - | - | - | (756,990) | - | (756,990) |
| Plant operations and maintenance | 4,000,951 | - | 702,417 | - | (3,298,534) | - | (3,298,534) |
| Student Transportation | 2,849,676 | - | - | - | (2,849,676) | - | (2,849,676) |
| Community service activities | 335,600 | - | - | - | (335,600) | - | (335,600) |
| Other | 647,015 | - | - | - | (647,015) | - | (647,015) |
| Facilities acquisition and construction | - | - | - | 1,463,720 | 1,463,720 | - | 1,463,720 |
| Principal on long-term debt | - | - | - | 506,427 | 506,427 | - | 506,427 |
| Interest on long-term debt | 2,368,211 | - | - | 229,235 | (2,138,976) | - | (2,138,976) |
| Depreciation (unallocated) | 2,016,487 | - | - | - | (2,016,487) | - | (2,016,487) |
| Total governmental activities | 45,458,321 | - | 8,254,326 | 2,199,382 | (35,004,613) | - | (35,004,613) |
| Business-Type Activities | | | | | | | |
| Food Service | 4,211,177 | 987,697 | 2,576,409 | 150,965 | - | (496,106) | (496,106) |
| Adult Education | 11,923 | 13,040 | - | - | - | 1,117 | 1,117 |
| Total business-type activities | 4,223,100 | 1,000,737 | 2,576,409 | 150,965 | (494,989) | (494,989) | (494,989) |
| Total primary government | \$ 49,681,421 | \$ 1,000,737 | \$ 10,830,735 | \$ 2,350,347 | \$ (35,004,613) | \$ (494,989) | \$ (35,499,602) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| | | | | | \$ 7,728,799 | \$ - | \$ 7,728,799 |
| | | | | Property taxes | 867,419 | - | 867,419 |
| | | | | Motor vehicle taxes | 1,754,022 | - | 1,754,022 |
| | | | | Utilities | 90,648 | 3,535 | 94,183 |
| | | | | Investments earnings | 25,012,331 | - | 25,012,331 |
| | | | | State and formula grants | 573,386 | - | 573,386 |
| | | | | Miscellaneous | 36,026,605 | 3,535 | 36,030,140 |
| | | | | Total general revenues | 1,021,992 | (491,454) | 530,538 |
| | | | | Change in net assets | 11,098,557 | 6,820,076 | 17,918,633 |
| | | | | Net assets - beginning | \$ 12,120,549 | \$ 6,328,622 | \$ 18,449,171 |
| | | | | Net assets - ending | | | |

See independent auditor's report and
accompanying notes to basic financial statements.
Page 12

BARREN COUNTY BOARD OF EDUCATION
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2012

| | General Fund | Special Revenue | Construction Fund | Debt Service Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|--------------------|----------------------|----------------------|--|--------------------------------|
| Assets and resources: | | | | | | |
| Cash and cash equivalents | \$ 2,069,446 | \$ 18,523 | \$ 478,766 | \$ - | 11 | \$ 2,566,746 |
| Accounts receivable: | | | | | | |
| Taxes-current | 236,374 | - | - | - | - | 236,374 |
| Accounts receivable | 225,940 | - | - | - | - | 225,940 |
| Intergovernmental - indirect federal | - | 839,159 | - | - | - | 839,159 |
| Investments | - | - | - | 12,838,225 | - | 12,838,225 |
| Total assets and resources | <u>\$ 2,531,760</u> | <u>\$ 857,682</u> | <u>\$ 478,766</u> | <u>\$ 12,838,225</u> | <u>11</u> | <u>\$ 16,706,444</u> |
| Liabilities and fund balance: | | | | | | |
| Liabilities: | | | | | | |
| Checks issued in excess of deposits | \$ - | \$ 489,642 | \$ - | \$ - | - | \$ 489,642 |
| Accounts payable | 52,189 | - | 426,168 | - | - | 478,357 |
| Deferred revenues | - | 345,473 | - | - | - | 345,473 |
| Total liabilities | <u>52,189</u> | <u>835,115</u> | <u>426,168</u> | <u>-</u> | <u>-</u> | <u>1,313,472</u> |
| Fund balances: | | | | | | |
| Restricted | | | | | | |
| Capital Projects | - | - | 52,598 | | 11 | 52,609 |
| Debt Service | - | - | | 12,838,225 | | 12,838,225 |
| Committed | | | | | | |
| Sick Leave Payable | 392,663 | - | - | | - | 392,663 |
| Assigned | | | | | | |
| Encumbrances | - | 22,567 | - | - | - | 22,567 |
| Unassigned | 2,086,908 | - | - | - | - | 2,086,908 |
| Total fund balances | <u>2,479,571</u> | <u>22,567</u> | <u>52,598</u> | <u>12,838,225</u> | <u>11</u> | <u>15,392,972</u> |
| Total liabilities and fund balances | <u>\$ 2,531,760</u> | <u>\$ 857,682</u> | <u>\$ 478,766</u> | <u>\$ 12,838,225</u> | <u>11</u> | <u>\$ 16,706,444</u> |

See independent auditor's report and
accompanying notes to basic financial statements.
Page 13

BARREN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
June 30, 2012

| | |
|--|---------------|
| Total fund balance per fund financial statements | \$ 15,392,972 |
|--|---------------|

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|--|------------|
| Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets. | 69,101,008 |
|--|------------|

| | |
|---|---------|
| Bond issuance costs are not financial resources and therefore are not reported as assets in governmental funds balance sheet. The cost of the asset is \$573,264 and the accumulated amortization is \$135,040. | 438,224 |
|---|---------|

| | |
|--|---------------------|
| Certain liabilities (such as bonds payable, accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets. | <u>(72,811,655)</u> |
|--|---------------------|

| | |
|--|-----------------------------|
| Net assets for governmental activities | <u><u>\$ 12,120,549</u></u> |
|--|-----------------------------|

BARREN COUNTY BOARD OF EDUCATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

| | General Fund | Special Revenue | Construction Fund | Debt Service Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|------------------|--------------------|--------------------|-----------------------------------|--------------------------|
| Revenues: | | | | | | |
| From local sources: | | | | | | |
| Taxes: | | | | | | |
| Property | \$ 5,496,427 | \$ - | \$ - | \$ - | \$ 2,232,372 | \$ 7,728,799 |
| Motor vehicles | 867,419 | - | - | - | - | 867,419 |
| Utilities | 1,754,022 | - | - | - | - | 1,754,022 |
| Earnings on investments | 29,235 | 1,553 | 14,326 | 45,534 | - | 90,648 |
| Other local revenues | 305,614 | 276,329 | 143,750 | - | - | 725,693 |
| Intergovernmental-state | 24,943,725 | 2,003,185 | - | 735,662 | 1,889,808 | 29,572,380 |
| Intergovernmental-indirect federal | - | 5,548,724 | - | 42,422 | - | 5,591,146 |
| Intergovernmental-direct federal | 68,606 | - | - | - | - | 68,606 |
| Total revenues | 33,465,048 | 7,829,791 | 158,076 | 823,618 | 4,122,180 | 46,398,713 |
| Expenditures: | | | | | | |
| Instruction | 19,777,423 | 6,182,019 | - | - | - | 25,959,442 |
| Support services: | | | | | | |
| Student | 1,131,292 | 162,209 | - | - | - | 1,293,501 |
| Instructional staff | 950,721 | 395,039 | - | - | - | 1,345,760 |
| District administration | 1,195,587 | 689,555 | - | - | - | 1,885,142 |
| School administration | 1,999,546 | - | - | - | - | 1,999,546 |
| Business | 756,990 | - | - | - | - | 756,990 |
| Plant operations and maintenance | 4,000,951 | - | - | - | - | 4,000,951 |
| Student transportation | 3,102,409 | 127,916 | - | - | - | 3,230,325 |
| Facilities and construction | 227,766 | - | 5,213,653 | - | - | 5,441,419 |
| Community service activities | - | 335,600 | - | - | - | 335,600 |
| Bond Issuance Costs | - | - | - | 79,560 | - | 79,560 |
| Debt Service | 350,849 | - | - | 9,422,612 | - | 9,773,461 |
| Total expenditures | 33,493,534 | 7,892,338 | 5,213,653 | 9,502,172 | - | 56,101,697 |
| Excess (deficit) of revenues over expenditures | (28,486) | (62,547) | (5,055,577) | (8,678,554) | 4,122,180 | (9,702,984) |
| Other financing sources (uses): | | | | | | |
| Proceeds from Issuance of Bonds | - | - | - | 16,705,000 | - | 16,705,000 |
| Proceeds from sale of fixed assets | 50,677 | - | - | - | - | 50,677 |
| Realized gains and losses | - | - | - | - | - | - |
| and changes in market value | - | - | - | 73,345 | - | 73,345 |
| Operating transfers in | 215,101 | 85,114 | 4,980,618 | 4,010,886 | - | 9,291,719 |
| Operating transfers out | (188,932) | - | - | (4,980,618) | (4,122,169) | (9,291,719) |
| Total other financing sources (uses) | 76,846 | 85,114 | 4,980,618 | 15,808,613 | (4,122,169) | 16,829,022 |
| Excess (deficit) of revenues and other financing sources over expenditures and other financing uses | 48,360 | 22,567 | (74,959) | 7,130,059 | 11 | 7,126,038 |
| Fund balance, July 1, 2011 | 2,431,211 | - | 127,557 | 5,708,166 | - | 8,266,934 |
| Fund balance, June 30, 2012 | \$ 2,479,571 | \$ 22,567 | \$ 52,598 | \$ 12,838,225 | \$ 11 | \$ 15,392,972 |

See independent auditor's report and
accompanying notes to basic financial statements.
Page 15

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

| | Food Service Fund | Community Adult Education Fund | Total |
|--------------------------------|----------------------|--------------------------------------|--------------|
| Assets | | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | \$ 382,554 | \$ 5,224 | \$ 387,778 |
| Inventory | 43,469 | | 43,469 |
| Accounts receivable | | | |
| Accounts receivable | 14,421 | 1,120 | 15,541 |
| Total current assets | 440,444 | 6,344 | 446,788 |
| Noncurrent | | | |
| Capital assets | 9,234,353 | - | 9,234,353 |
| Less: accumulated depreciation | (3,233,409) | - | (3,233,409) |
| Total noncurrent assets | 6,000,944 | - | 6,000,944 |
| Total assets | 6,441,388 | 6,344 | 6,447,732 |
| Liabilities | | | |
| <u>Current Liabilities</u> | | | |
| Accounts payable | 118,860 | 250 | 119,110 |
| Total current liabilities | 118,860 | 250 | 119,110 |
| Net Assets | | | |
| Invested in capital assets | | | |
| net of related debt | 6,000,944 | - | 6,000,944 |
| Unrestricted | 321,584 | 6,094 | 327,678 |
| Total net assets | \$ 6,322,528 | \$ 6,094 | \$ 6,328,622 |

See independent auditor's report and
accompanying notes to basic financial statements.

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

| | Food Service Fund | Community Adult Education Fund | Total |
|------------------------------------|----------------------|--------------------------------------|---------------------|
| Operating Revenues: | | | |
| Community service activities | \$ - | \$ 13,040 | \$ 13,040 |
| Lunchroom sales | <u>987,697</u> | <u>-</u> | <u>987,697</u> |
| Total operating revenues | <u>987,697</u> | <u>13,040</u> | <u>1,000,737</u> |
| Operating Expenses: | | | |
| Salaries and wages | 1,956,827 | 8 | 1,956,835 |
| Professional and contract services | 94,584 | - | 94,584 |
| Material and supplies | 1,896,673 | 11,915 | 1,908,588 |
| Depreciation | 263,093 | - | 263,093 |
| Other operating expenses | <u>-</u> | <u>-</u> | <u>-</u> |
| Total operating expenses | <u>4,211,177</u> | <u>11,923</u> | <u>4,223,100</u> |
| Operating income (loss) | <u>(3,223,480)</u> | <u>1,117</u> | <u>(3,222,363)</u> |
| Non-Operating Revenues (Expenses) | | | |
| Federal grants | 1,798,239 | - | 1,798,239 |
| Donated commodities | 150,965 | - | 150,965 |
| State grants & funding | 785,769 | - | 785,769 |
| Gain/(Loss) on sale of assets | (7,599) | - | (7,599) |
| Interest income | <u>3,535</u> | <u>-</u> | <u>3,535</u> |
| Total non-operating revenues | <u>2,730,909</u> | <u>-</u> | <u>2,730,909</u> |
| Net income (loss) | (492,571) | 1,117 | (491,454) |
| Net assets, July 1, 2011 | <u>6,815,099</u> | <u>4,977</u> | <u>6,820,076</u> |
| Net assets, June 30, 2012 | <u>\$ 6,322,528</u> | <u>\$ 6,094</u> | <u>\$ 6,328,622</u> |

See independent auditor's report and
accompanying notes to basic financial statements.

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

| | Food Service Fund | Communitiy Adult Education Fund | Total |
|--|----------------------|---------------------------------------|----------------|
| Cash Flows From Operating Activities: | | | |
| Cash received from: | | | |
| Community service activities | \$ - | \$ 11,920 | \$ 11,920 |
| Lunchroom sales | 987,697 | - | 987,697 |
| Cash paid to/for | | | |
| Employees | (1,327,570) | (8) | (1,327,578) |
| Supplies | (1,636,497) | (12,528) | (1,649,025) |
| Other activities | (94,584) | - | (94,584) |
| Net cash provided (used) | | | |
| by operating activities | (2,070,954) | (616) | (2,071,570) |
| Cash Flows from Noncapital | | | |
| Financing Activites | | | |
| Government Grants | 1,954,751 | - | 1,954,751 |
| Cash Flows from Capital | | | |
| and Related Financing Activities: | | | |
| Proceeds from the sale of fixed assets | 2,505 | - | 2,505 |
| Purchase of capital assets | (7,000) | - | (7,000) |
| Net cash provided (used) by Capital | | | |
| and Related Financing Acitives | (4,495) | - | (4,495) |
| Cash Flows from Investing Activities: | | | |
| Receipt of interest income | 3,535 | - | 3,535 |
| Net increase (decrease) in cash | | | |
| and cash equivalents | (117,163) | (616) | (117,779) |
| Balances, beginning of year | 499,717 | 5,840 | 505,557 |
| Balances, end of year | \$ 382,554 | \$ 5,224 | \$ 387,778 |
| Reconciliation of operating income | | | |
| (loss) to net cash provided (used) | | | |
| by operating activities | | | |
| Net income (loss) | \$ (3,223,480) | \$ 1,117 | \$ (3,222,363) |
| Adjustments to reconcile operating | | | |
| income (loss) to net cash provided | | | |
| (used) by operating activities | | | |
| On-Behalf Payments Received | 638,063 | - | 638,063 |
| Commodities Used | 150,965 | - | 150,965 |
| Depreciation | 263,093 | - | 263,093 |
| Change in assets and liabilities | | | |
| Inventory | (1,805) | - | (1,805) |
| Accounts receivable | (10,084) | (1,120) | (11,204) |
| Accounts payable | 112,294 | (613) | 111,681 |
| Net cash provided (used) | | | |
| by operating activities | \$ (2,070,954) | \$ (616) | \$ (2,071,570) |
| Schedule of non-cash transactions: | | | |
| On Behalf Payments | \$ 697,257 | | |
| Donated commodities received | | | |
| from federal government | \$ 150,965 | | |

See independent auditor's report and
 accompanying notes to basic financial statements.

**BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012**

| | Fiscal Agent Funds | Agency Funds |
|-------------------------------------|----------------------------------|-----------------------------------|
| | <u> </u> | <u> </u> |
| Assets | | |
| Cash and cash equivalents | \$ 50,000 | \$ 725,112 |
| Accounts receivable | <u> 14,971</u> | <u> 36,428</u> |
| Total assets | <u> 64,971</u> | <u> 761,540</u> |
| Liabilities | | |
| Checks issued in excess of deposits | 14,971 | - |
| Accounts payable | - | 18,528 |
| Due to student groups | <u> -</u> | <u> 743,012</u> |
| Total liabilities | <u> 14,971</u> | <u> 761,540</u> |
| Net Assets Held in Trust | <u><u> \$ 50,000</u></u> | <u><u> \$ -</u></u> |

**BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2012**

| | Fiscal Agent Fund |
|-------------------------------|-------------------------|
| | <hr/> |
| Additions | |
| Fees | \$ 216,800 |
| Other local revenue | 12,272 |
| State funding | <u>61,718</u> |
| Total Additions | <u>290,790</u> |
| Deductions | |
| Salaries and benefits | 292,147 |
| Miscellaneous | <u>52</u> |
| Total deductions | <u>292,199</u> |
| Changes in net assets | (1,409) |
| Net assets, beginning of year | <u>51,409</u> |
| Net assets, end of year | <u><u>\$ 50,000</u></u> |

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies:

Reporting Entity

The Barren County Board of Education, ("Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Barren County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Barren County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of these organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Barren County Board of Education Finance Corporation - On July 23, 1991, the Board of Education resolved to authorize the establishment of the Barren County Board of Education Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation:

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the district, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. District expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District allocates certain indirect costs to be included in the program expenses reported for individual functions and activities in the District-Wide Statement of Activities.

In the District Wide Financial Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District and is always classified as a major fund. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.
- b. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Kentucky Department of Education had deemed this fund to always be classified as a major fund.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

I. Governmental Fund Types, Continued:

- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- d. Debt Service Funds
The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- a. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- a. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- b. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

District-Wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Invested in Capital Assets, Net of Related Debt- Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Assets- Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets- All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Under GASB 54, fund balance is separated into five categories, as follows:

- Nonspendable-Permanently nonspendable by decree of the donor, such as endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.
- Restricted-Legally restricted under federal or state law, bond authority, or grantor contract
- Committed-Commitments passed by the Board
- Assigned-Funds assigned to management priority including issued encumbrances
- Unassigned-Funds available for future operations

It is the Board’s practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies, Continued:

Basis of Accounting:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2012-2013 school year have been classified as deferred revenues. Likewise, all awards requested as a result of the 2011-2012 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies, Continued:

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 60 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2012, to finance the General Fund operations were \$.568 per \$100 valuation for real property, \$.568 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 25-50 years |
| Land improvements | 20 years |
| Technology equipment | 5 years |
| Vehicles | 5-10 years |
| Audio-visual equipment | 15 years |
| Food service | 10-12 years |
| Furniture and fixtures | 7 years |
| Rolling stock | 15 years |
| Other | 10 years |

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies, Continued:

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave and has no maximum accumulation.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Proprietary Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at cost (first-in, first-out method) and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2012 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Assets.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Assets. All realized gains and losses and changes in fair value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies, Continued:

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools and for childcare services provided.

On-Behalf Payments

During the year ended June 30, 2012, the Kentucky Division of Finance made payments on behalf of Barren County Board of Education in amount of \$7,198,693. These payments were paid for fringe benefits and retirement for the District personnel. These payments have been included in both revenue and expenditures on the Board's financial statements for the year ended June 30, 2012.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Donated Commodities

The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenditures, and Changes in Net Assets as an expense and as donated commodities revenue (nonoperating revenue).

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

2. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. Cash Deposits and Investments:

At year end, the carrying amount of the District's total investments and cash equivalents net of checks issued in excess of deposits was \$2,464,882. These amounts were covered by Federal Depository Insurance or by securities pledged by the financial institution.

The Kentucky Legislature has placed limitations on investments and investment policy. No more than 20% can be invested in one or more of the following categories; uncollateralized certificates of deposit, banker's acceptances, commercial paper, or securities issued by a state or local government at any one time. The district has no investment policy that would further limit its investment choices. Cash equivalents are funds with a maturity of 90 days or less. The following is a schedule summarizing the Districts investments and cash equivalents net of checks issued in excess of deposits at June 30, 2012.

| <u>Type</u> | <u>Fair Values</u> | <u>Cash Equivalents (Net)</u> |
|--------------------------------|---------------------|---------------------------------------|
| Federal Home Loan Mortgage Co. | 1,380,656 | - |
| US Treasury Notes | 11,457,569 | - |
| Cash and other Deposits | 1,425,839 | 1,425,839 |
| Certificate of Deposits | <u>1,039,043</u> | <u>1,039,043</u> |
| Total | <u>\$15,303,107</u> | <u>\$ 2,464,882</u> |

Interest Rate Risk

The district regularly reviews investments amounts, rates, duration, and current market values of the funds invested. As a means of managing the district's exposure to fair value losses arising from increasing interest rates, the district primarily purchases investments with a maturity of less than three months. No investments in Money Market Accounts or Certificates of Deposit were in excess of federally insured limits.

Concentration of Credit Risk

The district places no limit on the amount that may be invested in any one issuer. More than 11% of the District's investments are in the Federal Home Loan Mortgage Co and more than 89% is in US Treasury Notes. These investments are 100% of the districts total investments.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

4. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

| | Balance July 1, 2011 | Additions | Disposals | Balance June 30, 2012 |
|---|-------------------------|---------------------|-----------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets, not being Depreciated: | | | | |
| Land | \$ 1,985,095 | \$ - | \$ - | \$ 1,985,095 |
| Construction in Progress | 1,763,035 | 5,282,850 | (2,142,769) | 4,903,116 |
| Total Capital Assets, not being Depreciated | 3,748,130 | 5,282,850 | (2,142,769) | 6,888,211 |
| Capital Assets, being Depreciated: | | | | |
| Buildings & Equipment | 79,108,893 | 2,287,289 | - | 81,396,182 |
| Technology Equipment | 2,190,824 | 15,059 | (86,835) | 2,119,048 |
| Technology Equipment - Adult Ed | 61,548 | - | - | 61,548 |
| Vehicles | 5,030,515 | 701,298 | (137,797) | 5,594,016 |
| General Equipment | 2,212,044 | 9,360 | - | 2,221,404 |
| Total Capital Assets, being Depreciated | 88,603,824 | 3,013,006 | (224,632) | 91,392,198 |
| Less Accumulated Depreciation: | | | | |
| Buildings & Equipment | (20,456,910) | (1,558,819) | - | (22,015,729) |
| Technology Equipment | (1,983,202) | (93,197) | 86,279 | (1,990,120) |
| Technology Equipment - Adult Ed | (60,183) | (910) | - | (61,093) |
| Vehicles | (3,051,547) | (314,080) | - | (3,365,627) |
| General Equipment | (1,697,351) | (49,481) | - | (1,746,832) |
| Total Accumulated Depreciation | (27,249,193) | (2,016,487) | 86,279 | (29,179,401) |
| Governmental Activities Capital Assets - Net | <u>\$ 65,102,761</u> | <u>\$ 6,279,369</u> | <u>\$ (2,281,122)</u> | <u>\$ 69,101,008</u> |
| Proprietary Activities | | | | |
| Capital Assets, being Depreciated: | | | | |
| Buildings & Equipment | \$ 7,322,067 | \$ - | \$ - | \$ 7,322,067 |
| Technology Equipment | 9,790 | - | - | 9,790 |
| Vehicles | - | 7,000 | - | 7,000 |
| General Equipment | 1,940,100 | - | (44,604) | 1,895,496 |
| Total Capital Assets being Depreciated | 9,271,957 | 7,000 | (44,604) | 9,234,353 |
| Less Accumulated Depreciation: | | | | - |
| Buildings & Equipment | (1,890,172) | (146,228) | - | (2,036,400) |
| Technology Equipment | (9,574) | (216) | - | (9,790) |
| Vehicles | - | (1,065) | - | (1,065) |
| General Equipment | (1,096,264) | (115,584) | 25,694 | (1,186,154) |
| Total Accumulated Depreciation | (2,996,010) | (263,093) | 25,694 | (3,233,409) |
| Proprietary Activities Capital Assets - Net | <u>\$ 6,275,947</u> | <u>\$ (256,093)</u> | <u>\$ (18,910)</u> | <u>\$ 6,000,944</u> |

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

5. Bonded Debt and Lease Obligations:

The original amount of the issue, the issue dates, and interest rates are summarized below:

| <u>Issue</u> | <u>Original Amount</u> | <u>Maturity Date</u> | <u>Interest Rates</u> |
|--|------------------------|----------------------|-----------------------|
| Issue of 2001 (Barren Co. High School) | \$ 1,457,600 | July 1, 2014 | - |
| Issue of 2002 (Refunding of 1993) | \$ 3,370,000 | March 1, 2013 | 1.9% - 3.95% |
| Issue of 2004 | \$ 14,120,000 | August 1, 2024 | 3.5% - 5.00% |
| Issue of 2005 (Refunding of 1996) | \$ 2,810,000 | August 1, 2016 | 3.0% - 3.7% |
| Issue of 2006 | \$ 12,040,000 | August 1, 2016 | 3.5% - 4.375% |
| Issue of 2008 A | \$ 1,270,000 | October 1, 2025 | 2.4% - 4.375% |
| Issue of 2008 B | \$ 10,210,000 | September 1, 2028 | 3.0% - 4.875% |
| Issue of 2008 Energy | \$ 1,740,000 | September 1, 2017 | 2.5% - 4.5% |
| Issue of 2009 (Refunding of 98) | \$ 6,435,000 | October 1, 2018 | 2.0% - 3.0% |
| Issue of 2010 (Refunding of 2001) | \$ 3,645,000 | June 1, 2021 | 2.0% - 2.75% |
| Issue of 2010 (Refunding of 2002) | \$ 4,580,000 | February 1, 2022 | .7% - 3.1% |
| Issue of 2010 | \$ 1,920,000 | December 1, 2030 | 1.0% - 4.125% |
| Issue of 2011 | \$ 3,085,000 | March 1, 2029 | 1.0% - 3.5% |
| Issue of 2011 QZAB | \$ 2,000,000 | September 1, 2028 | 4.75% |
| Issue of 2012 (Refunding of 2004) | \$ 11,620,000 | August 1, 2024 | 3.8% - 5.0% |

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bond issued by the Barren County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In July, 2001, the Board approved issuance of Qualified Zone Academy Bonds in amount of \$1,457,600. This required an initial investment by the School District of \$817,320, which at maturity in 2014, will be sufficient to defease the total principal. This \$817,320 investment is included on the financial statements as restricted debt service fund balance at market value of \$1,380,656.

In October, 2002, the Board approved the issuance of refunding revenue bonds in the amount of \$3,370,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1993.

In August, 2004, the Board issued bonds in the amount of \$14,120,000. These funds were used in the construction of elementary schools.

In February, 2005, the Board approved the issuance of refunding revenue bonds in the amount of \$2,810,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1996.

In August, 2006, the Board issued bonds in the amount of \$12,040,000. These funds were used in the construction of the Trojan Academy.

In August, 2008, the Board issued revenue bonds in the amount of \$1,270,000. These funds were used in the completion of the Trojan Academy.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

5. Bonded Debt and Lease Obligations, Continued:

On September 11, 2008 the District issued energy conservation revenue bonds, Series 2008, in the amount of \$1,740,000.

On September 17, 2008 the District issued school building revenue bonds, Series 2008B, in the amount of \$10,210,000. The bonds were issued to finance the construction of North Jackson Elementary School.

In January, 2009, the Board approved the issuance of refunding revenue bonds in the amount of \$6,435,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1998.

In August, 2010, the Board approved the issuance of refunding revenue bonds in the amount of \$3,645,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 2001.

In August, 2010, the Board approved the issuance of refunding revenue bonds in the amount of \$4,580,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 2002.

In November, 2010, the District issued school building revenue bonds, Series 2010, in the amount of \$1,920,000. The bonds were issued to finance the construction for the expansion of North Jackson Elementary School.

In August, 2011, the District issued school building revenue bonds, Series 2011, in the amount of \$3,085,000. The bonds were issued to finance the construction for the expansion at the Barren County High School as well as the ROTC facility.

In August, 2011, the Board approved issuance of Qualified Zone Academy Bonds in the amount of \$2,000,000. The bonds were also issued to finance the construction for the expansion at the Barren County High School as well as the ROTC facility.

In February, 2012 the Board approved the issuance of refunding revenue bonds in the amount of \$11,620,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 2004.

In 1991, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The District also entered into "participation agreements" with the Internal Revenue Service (IRS). Section 54A of the Internal Revenue Code provides rules for the issuance and use of qualified tax credit bonds for qualified zone academy bonds, QZAB. The table below sets forth the amount to be paid by the District as well as the Commission and IRS for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission and IRS, at June 30, 2012, for debt service (principal and interest) are as follows:

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

5. Bonded Debt and Lease Obligations, Continued:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Participation</u> | <u>District's Portion</u> |
|-------------|----------------------|----------------------|----------------------|---------------------------|
| 2012-13 | 14,215,000 | 2,158,747 | 812,482 | 15,561,265 |
| 2013-14 | 2,475,000 | 1,827,004 | 593,773 | 3,708,231 |
| 2014-15 | 3,987,600 | 1,764,412 | 579,122 | 5,172,890 |
| 2015-16 | 3,040,000 | 1,691,691 | 594,934 | 4,136,757 |
| 2016-17 | 3,115,000 | 1,606,659 | 576,910 | 4,144,749 |
| 2017-18 | 3,165,000 | 1,518,547 | 537,069 | 4,146,478 |
| 2018-19 | 3,225,000 | 1,423,300 | 495,523 | 4,152,777 |
| 2019-20 | 3,205,000 | 1,328,843 | 379,574 | 4,154,269 |
| 2020-21 | 3,310,000 | 1,228,958 | 379,574 | 4,159,384 |
| 2021-22 | 3,425,000 | 1,117,249 | 379,573 | 4,162,676 |
| 2022-23 | 3,550,000 | 990,628 | 379,573 | 4,161,055 |
| 2023-24 | 3,680,000 | 865,878 | 379,572 | 4,166,306 |
| 2024-25 | 3,805,000 | 734,584 | 372,089 | 4,167,495 |
| 2025-26 | 3,675,000 | 588,524 | 354,908 | 3,908,616 |
| 2026-27 | 3,800,000 | 423,843 | 323,300 | 3,900,543 |
| 2027-28 | 2,130,000 | 291,045 | 200,860 | 2,220,185 |
| 2028-29 | 4,035,000 | 144,707 | 144,652 | 4,035,055 |
| 2029-30 | 500,000 | 41,161 | 64,254 | 476,907 |
| 2030-31 | 505,000 | 21,876 | 50,303 | 476,573 |
| 2031-32 | 310,000 | 6,006 | - | 316,006 |
| | <u>\$ 69,152,600</u> | <u>\$ 19,773,662</u> | <u>\$ 7,598,045</u> | <u>\$ 81,328,217</u> |

Long-term debt activities for the year ended June 30, 2012, are as follows:

| | <u>Balance</u> | | <u>Debt Payments</u> | <u>Balance</u> | <u>Amount Due</u> |
|--------------------|----------------------|----------------------|-----------------------|----------------------|------------------------|
| | <u>June 30, 2011</u> | <u>Additions</u> | <u>and Reductions</u> | <u>June 30, 2012</u> | <u>Within One Year</u> |
| Series 2001 | 1,457,600 | - | - | 1,457,600 | - |
| Series 2002 | 4,325,000 | - | 4,325,000 | - | - |
| Series 2002 Ref 93 | 815,000 | - | 400,000 | 415,000 | 415,000 |
| Series 2004 | 11,955,000 | - | 405,000 | 11,550,000 | 11,550,000 |
| Series 2005 Ref 96 | 1,540,000 | - | 235,000 | 1,305,000 | 245,000 |
| Series 2006 | 11,195,000 | - | 225,000 | 10,970,000 | 235,000 |
| Series 2008A | 1,165,000 | - | 40,000 | 1,125,000 | 40,000 |
| Series 2008B | 9,725,000 | - | 250,000 | 9,475,000 | 260,000 |
| Series 2008 Energy | 1,675,000 | - | 35,000 | 1,640,000 | 40,000 |
| Series 2009 | 5,445,000 | - | 625,000 | 4,820,000 | 635,000 |
| Series 2010 Ref 01 | 3,540,000 | - | 190,000 | 3,350,000 | 195,000 |
| Series 2010 Ref 02 | 4,530,000 | - | 60,000 | 4,470,000 | 215,000 |
| Series 2010 | 1,920,000 | - | 50,000 | 1,870,000 | 50,000 |
| Series 2011 | - | 3,085,000 | - | 3,085,000 | 125,000 |
| Series 2011 QZAB | - | 2,000,000 | - | 2,000,000 | - |
| Series 2012 | - | 11,620,000 | - | 11,620,000 | 210,000 |
| | <u>\$ 59,287,600</u> | <u>\$ 16,705,000</u> | <u>\$ 6,840,000</u> | <u>\$ 69,152,600</u> | <u>\$ 14,215,000</u> |

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

5. Bonded Debt and Lease Obligations, Concluded:

Capitalization of Interest

Interest costs incurred during construction are capitalized, net of interest income from proceeds of tax-exempt debt as part of the cost of the related assets of the District. Interest capitalized for the year ended June 30, 2012 was \$61,883.

6. Capital Lease Payable:

The following is an analysis of the leased property under capital lease by class:

| <u>Class of Property</u> | <u>Book Value as of June 30, 2012</u> |
|--------------------------|---|
| Buses, at cost | \$ 2,298,591 |
| Accumulated Depreciation | <u>1,180,967</u> |
| Net Book Value | <u><u>\$ 1,117,624</u></u> |

The following is a schedule by years of the furniture minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2012:

| <u>Year Ending June 30</u> | <u>Capital Lease Payable</u> |
|--|----------------------------------|
| 2013 | \$ 399,127 |
| 2014 | 372,184 |
| 2015 | 335,416 |
| 2016 | 318,691 |
| 2017 | 248,574 |
| Thereafter | <u>1,133,457</u> |
| Total Minimum Lease Payments | 2,807,449 |
| Less: Amount representing interest | <u>(330,087)</u> |
| Present Value of Net Minimum Lease Payments | <u><u>\$ 2,477,362</u></u> |

7. Commitments Under Noncapitalized Leases:

Commitments under operating lease agreements for office equipment provide for minimum future rental payments as of June 30, 2012, as follows:

| | |
|-----------------------|--------------------------|
| Year ending June 30: | |
| 2013 | 88,113 |
| 2014 | <u>47,845</u> |
| Total Minimum Rentals | <u><u>\$ 135,958</u></u> |

Operating lease expense for the year ended June 30, 2012 was \$106,839.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

8. Retirement Plans:

The Barren County Board of Education contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members are required to contribute 10.355% of their salaries to KTRS. Effective July 1, 2008 new members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.605% of salaries to those hired before July 1, 2008 and 14.105% of salaries to those hired after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. KRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, and public employer's retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 18.96% of the employee's total compensation subject to contribution. Effective September 1, 2008 new members are required to contribute 6% of their salaries.

The District's total payroll for the year was \$26,720,589. The payroll for employees covered under KTRS was \$19,697,081 and for CERS was \$7,011,837. For the year ended June 30, 2012, the Commonwealth contributed \$2,481,047 to KTRS for the benefit of our participating employees.

The contribution requirement for CERS for the year ended June 30, 2012, was \$1,510,549 which consisted of \$1,191,192 from the Board and \$319,357 from the employees. The Board paid \$338,108 from federal grant monies to KTRS in matching contributions for federally funded employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the Plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

8. Retirement Plans, Continued:

| | CERS as of June 30, 2011 | CERS as of June 30, 2010 |
|--|-------------------------------------|-------------------------------------|
| | <u>(In Thousands)</u> | |
| Assets available for benefits, at fair value | \$ 7,409,156 | \$ 7,296,322 |
| Pension benefit obligation | <u>11,777,126</u> | <u>11,131,174</u> |
| (Under funded)/over funed pension benefit obligations | <u>\$ (4,367,970)</u> | <u>\$ (3,834,852)</u> |

The following table presents the last three years of the total of all employer contributions to the Plan and the District's contributions for the year ending June 30:

Total Plan Contributions CERS

| <u>Fiscal Year Ended</u> | <u>Annual Required Contributions</u> | <u>Actual Contributions</u> | <u>Percentage Contributed</u> |
|--------------------------|--|---------------------------------|-----------------------------------|
| 2011 | \$432,414,052 | \$435,404,150 | 100.69% |
| 2010 | \$453,055,709 | \$382,839,930 | 84.50% |
| 2009 | \$425,830,683 | \$310,669,790 | 72.96% |

District's Contributions CERS

| <u>Fiscal Year Ended</u> | <u>Annual Required Contributions</u> | <u>Actual Contributions</u> | <u>Percentage Contributed</u> |
|--------------------------|--|---------------------------------|-----------------------------------|
| 2012 | \$ 1,191,192 | \$ 1,191,192 | 100.00% |
| 2011 | \$ 1,034,282 | \$ 1,034,282 | 100.00% |
| 2010 | \$ 1,272,273 | \$ 1,272,273 | 100.00% |

| | KTRS as of June 30, 2011 | KTRS as of June 30, 2010 |
|--|-------------------------------------|-------------------------------------|
| | <u>(In Thousands)</u> | |
| Assets available for benefits, at fair value | \$ 14,908,100 | \$ 14,851,330 |
| Pension benefit obligation | <u>25,968,700</u> | <u>24,344,316</u> |
| (Under funded)/over funed pension benefit obligations | <u>\$ (11,060,600)</u> | <u>\$ (9,492,986)</u> |

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

8. Retirement Plans, Concluded:

| Total Plan Contributions KTRS | | | |
|--------------------------------------|--|---------------------------------|-----------------------------------|
| <u>Fiscal Year Ended</u> | <u>Annual Required Contributions</u> | <u>Actual Contributions</u> | <u>Percentage Contributed</u> |
| June 30, 2011 | \$ 678,700,000 | \$ 1,038,411,000 | 153.00% |
| June 30, 2010 | \$ 633,900,000 | \$ 481,764,000 | 76.00% |
| June 30, 2009 | \$ 600,300,000 | \$ 444,222,000 | 74.00% |

| District's Contributions KTRS | | | |
|--------------------------------------|--|---------------------------------|-----------------------------------|
| <u>Fiscal Year Ended</u> | <u>Annual Required Contributions</u> | <u>Actual Contributions</u> | <u>Percentage Contributed</u> |
| June 30, 2012 | \$ 2,819,155 | \$ 2,819,155 | 100.00% |
| June 30, 2011 | \$ 2,666,305 | \$ 2,666,305 | 100.00% |
| June 30, 2010 | \$ 2,145,171 | \$ 2,145,171 | 100.00% |

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2011 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. For the year ended June 30, 2012, employees contributed approximately \$190,000 to the plan.

9. Medical Insurance Plan:

Plan description – In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through KTRS Medicare Eligible Health Plan.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

9. Medical Insurance Plan, Concluded:

Funding Policy – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, 1.5% of the gross annual payroll of all members before July 1, 2008 is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from State appropriation. Members joining the Plan after July 1, 2008 contribute an additional 1% to the medical insurance fund. Also, the premiums collected from retirees as described in the Plan description and investment interest help meet the medical expenses of the Plan.

10. Contingencies:

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor's may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

11. Insurance and Related Activities:

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers Compensation Insurance.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

12. Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. COBRA:

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

14. Transfer of Funds:

The following transfers were made during the year:

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|------------------|-----------------|------------------|---------------|
| General | Special Revenue | Technology Match | \$ 85,114 |
| Building | Debt Service | Debt | \$ 3,696,092 |
| General | Debt Service | Debt | \$ 103,818 |
| Debt Service | Construction | Construction | \$ 4,980,618 |
| Capital Outlay | General | Construction | \$ 215,101 |
| Capital Outlay | Debt Service | Debt | \$ 210,976 |

15. Litigation:

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determined at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

16. Subsequent Events:

Subsequent events were evaluated by management through November 1, 2012, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|--------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes: | | | | |
| Property | \$ 5,406,500 | \$ 5,406,500 | \$ 5,496,427 | \$ 89,927 |
| Motor vehicles | 820,000 | 820,000 | 867,419 | 47,419 |
| Utilities | 1,800,000 | 1,800,000 | 1,754,022 | (45,978) |
| Earnings on investments | 25,000 | 25,000 | 29,235 | 4,235 |
| Other local revenues | 164,600 | 164,600 | 305,614 | 141,014 |
| Intergovernmental-state | 18,762,593 | 18,762,593 | 24,943,725 | 6,181,132 |
| Intergovernmental-direct federal | 50,000 | 50,000 | 68,606 | 18,606 |
| Total revenues | <u>27,028,693</u> | <u>27,028,693</u> | <u>33,465,048</u> | <u>6,436,355</u> |
| Expenditures: | | | | |
| Instruction | 15,664,811 | 15,664,811 | 19,777,423 | (4,112,612) |
| Support services: | | | | |
| Student | 930,279 | 930,279 | 1,131,292 | (201,013) |
| Instructional staff | 798,233 | 798,233 | 950,721 | (152,488) |
| District administration | 2,929,627 | 2,929,627 | 1,195,587 | 1,734,040 |
| School administration | 1,649,074 | 1,649,074 | 1,999,546 | (350,472) |
| Business | 728,788 | 728,788 | 756,990 | (28,202) |
| Plant operations and maintenance | 3,333,845 | 3,333,845 | 4,000,951 | (667,106) |
| Student transportation | 2,512,912 | 2,512,912 | 3,102,409 | (589,497) |
| Facilities acquisition and construction | 86,110 | 86,110 | 227,766 | (141,656) |
| Other | 426,561 | 426,561 | 350,849 | 75,712 |
| Total expenditures | <u>29,060,240</u> | <u>29,060,240</u> | <u>33,493,534</u> | <u>(4,433,294)</u> |
| Excess (deficit) of revenues over expenditures | <u>(2,031,547)</u> | <u>(2,031,547)</u> | <u>(28,486)</u> | <u>2,003,061</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of fixed assets | 55,000 | 55,000 | 50,677 | (4,323) |
| Operating transfers in | 68,000 | 68,000 | 215,101 | 147,101 |
| Operating transfers out | (130,000) | (130,000) | (188,932) | (58,932) |
| Total other financing sources (uses) | <u>(7,000)</u> | <u>(7,000)</u> | <u>76,846</u> | <u>83,846</u> |
| Excess (deficit) of revenues and other financing sources over expenditures and other financing uses | <u>(2,038,547)</u> | <u>(2,038,547)</u> | <u>48,360</u> | <u>2,086,907</u> |
| Fund balance, July 1, 2011 | <u>2,431,211</u> | <u>2,431,211</u> | <u>2,431,211</u> | <u>-</u> |
| Fund balance, June 30, 2012 | <u>\$ 392,664</u> | <u>\$ 392,664</u> | <u>\$ 2,479,571</u> | <u>\$ 2,086,907</u> |

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE
For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Earnings on investments | \$ - | \$ - | \$ 1,553 | \$ 1,553 |
| Other local revenues | 377,907 | 377,907 | 276,329 | (101,578) |
| Intergovernmental-state | 2,040,912 | 2,040,912 | 2,003,185 | (37,727) |
| Intergovernmental-indirect federal | 4,374,557 | 4,374,557 | 5,548,724 | 1,174,167 |
| Total revenues | <u>6,793,376</u> | <u>6,793,376</u> | <u>7,829,791</u> | <u>1,036,415</u> |
| Expenditures: | | | | |
| Instruction | 5,387,404 | 5,387,404 | 6,182,019 | (794,615) |
| Student | 156,878 | 156,878 | 162,209 | (5,331) |
| Instructional staff | 418,724 | 418,724 | 395,039 | 23,685 |
| District administration | 606,639 | 606,639 | 689,555 | (82,916) |
| Student transportation | 14,000 | 14,000 | 127,916 | (113,916) |
| Community service activities | 335,257 | 335,257 | 335,600 | (343) |
| Total expenditures | <u>6,918,902</u> | <u>6,918,902</u> | <u>7,892,338</u> | <u>973,436</u> |
| Excess (deficit) of revenues over expenditures | <u>(125,526)</u> | <u>(125,526)</u> | <u>(62,547)</u> | <u>62,979</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | 130,000 | 130,000 | 85,114 | (44,886) |
| Total other financing sources (uses) | <u>130,000</u> | <u>130,000</u> | <u>85,114</u> | <u>(44,886)</u> |
| Excess (deficit) of revenues and other financing sources over expenditures and other financing uses | 4,474 | 4,474 | 22,567 | 18,093 |
| Fund balance, July 1, 2011 | - | - | - | - |
| Fund balance, June 30, 2012 | <u>\$ 4,474</u> | <u>\$ 4,474</u> | <u>\$ 22,567</u> | <u>\$ 18,093</u> |

SUPPLEMENTARY INFORMATION

**BARREN COUTNY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

| | Seek Capital Outlay Fund | Building Fund | Total Nonmajor Governmental Funds |
|-------------------------------------|-----------------------------------|------------------|--|
| Assets and resources: | | | |
| Cash and cash equivalents | \$ 11 | \$ - | \$ 11 |
| Total Assets and Resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Liabilities and fund balance: | | | |
| Liabilities: | | | |
| Accounts payable | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Other | - | - | - |
| Unreserved: | | | |
| Undesignated: | <u>11</u> | <u>-</u> | <u>11</u> |
| Total fund balances | <u>11</u> | <u>-</u> | <u>11</u> |
| Total Liabilities and Fund Balances | <u>\$ 11</u> | <u>\$ -</u> | <u>\$ 11</u> |

BARREN COUTNY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

| | Seek Capital Outlay Fund | Building Fund | Total Nonmajor Governmental Funds |
|---|-----------------------------|--------------------|---|
| Revenues: | | | |
| From local sources: | | | |
| Taxes: | | | |
| Property | \$ - | \$ 2,232,372 | \$ 2,232,372 |
| Intergovernmental-state | 426,088 | 1,463,720 | 1,889,808 |
| Total revenues | <u>426,088</u> | <u>3,696,092</u> | <u>4,122,180</u> |
| Expenditures: | | | |
| Support services: | | | |
| Plant operations and maintenance | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficit) of revenues over expenditures | <u>426,088</u> | <u>3,696,092</u> | <u>4,122,180</u> |
| Other financing sources (uses): | | | |
| Operating transfers out | <u>(426,077)</u> | <u>(3,696,092)</u> | <u>(4,122,169)</u> |
| Total other financing sources (uses) | <u>(426,077)</u> | <u>(3,696,092)</u> | <u>(4,122,169)</u> |
| Excess (deficit) of revenues and other financing sources over expenditures and other financing uses | 11 | - | 11 |
| Fund balance, July 1, 2011 | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, June 30, 2012 | <u><u>\$ 11</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 11</u></u> |

BARREN COUTNY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES – BARREN COUNTY HIGH
SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2012

| | Cash Balance | (1) | (1) | Cash Balance | Accounts | Accounts | Due to |
|---------------------------------|---------------------|---------------------|----------------------|----------------------|-------------------|-----------------|-----------------------|
| | <u>July 1, 2011</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>June 30, 2011</u> | <u>Receivable</u> | <u>Payable</u> | <u>Student Groups</u> |
| ATHLETIC BOOSTER CLUB | 15,510 | \$ 24,842 | \$ 24,712 | \$ 15,640 | \$ - | \$ 18 | 15,622 |
| ACADEMIC TEAM | 1,684 | 1,100 | 70 | 2,714 | - | - | 2,714 |
| AFTER PROM | 3,568 | 6,519 | 6,976 | 3,111 | - | - | 3,111 |
| AG SHOP | 774 | 1,528 | 2,149 | 153 | - | - | 153 |
| AGRICULTURE | 790 | 2,855 | 2,999 | 646 | - | - | 646 |
| AP/EUROPEAN WORLD | - | 300 | 300 | - | - | - | - |
| APPLIED SCIENCE | 1,221 | 130 | 152 | 1,199 | - | - | 1,199 |
| ART | 1,700 | 1,917 | 1,493 | 2,124 | - | - | 2,124 |
| ATHLETIC | 39,327 | 120,261 | 112,671 | 46,917 | - | - | 46,917 |
| BAND | 12,632 | 134,466 | 132,241 | 14,857 | - | 278 | 14,579 |
| BASEBALL | 888 | 32,102 | 32,990 | - | 645 | 49 | 596 |
| BARREN BEYOND THE BELL | - | 1,993 | 1,948 | 45 | - | 38 | 7 |
| BETA CLUB | 54 | 8,235 | 7,836 | 453 | - | - | 453 |
| BOOSTER/VENDING | 2,744 | 6,403 | 6,752 | 2,395 | - | - | 2,395 |
| BOYS BASKETBALL | 6,435 | 28,186 | 29,478 | 5,143 | - | - | 5,143 |
| BOYS GOLF | 2,559 | 6,725 | 5,595 | 3,689 | - | - | 3,689 |
| BROADCASTING | 332 | 1,920 | 1,979 | 273 | - | - | 273 |
| BUSINESS | 1,295 | 1,997 | 583 | 2,709 | - | - | 2,709 |
| CHEERLEADERS | 5,413 | 56,284 | 61,161 | 536 | - | - | 536 |
| CROSS COUNTRY BOYS BDGT. | 1,334 | 1,881 | 2,018 | 1,197 | - | - | 1,197 |
| DANCE TEAM | 2,431 | 1,310 | 2,796 | 945 | - | - | 945 |
| DUAL CREDIT CLASSES/SUPPLIES | 6 | 16,065 | 16,071 | - | - | - | - |
| DEVELOPMENT ADV. GRANT | 2,507 | 11,000 | 13,507 | - | - | - | - |
| DRAMA OF BARREN BEYOND THE BELL | 1,123 | 23,765 | 21,523 | 3,365 | - | - | 3,365 |
| FACS | 1 | 2,342 | 2,341 | 2 | - | - | 2 |
| FBLA | 3,001 | 10,704 | 11,108 | 2,597 | - | - | 2,597 |
| FCA | 2,530 | - | 229 | 2,301 | - | - | 2,301 |
| FEA | 4 | 250 | 254 | - | - | - | - |
| FFA | 5,122 | 62,530 | 58,791 | 8,861 | - | 2,087 | 6,774 |
| FCCLA | 45 | 13,691 | 13,669 | 67 | - | - | 67 |
| FMD 1 | 815 | 394 | 202 | 1,007 | - | - | 1,007 |
| FMD 2 | 112 | 125 | - | 237 | - | - | 237 |
| FLOWER FUND | 774 | 643 | 446 | 971 | - | 71 | 900 |
| FOOTBALL | 14,690 | 58,501 | 43,531 | 29,660 | - | - | 29,660 |
| FOREIGN LANGUAGE | 2,327 | 4,912 | 4,773 | 2,466 | - | - | 2,466 |
| FRESHMEN | - | 1,590 | 1,590 | - | - | - | - |
| GENERAL | 1,577 | 66,117 | 58,497 | 9,197 | 4,482 | 140 | 13,539 |
| GIRLS BASKETBALL | 1,709 | 10,385 | 10,026 | 2,068 | - | - | 2,068 |
| GIRLS CROSS COUNTRY BDGT. | 1,173 | 1,626 | 2,544 | 255 | - | - | 255 |
| GIRLS GOLF | 497 | 2,225 | 2,375 | 347 | - | - | 347 |
| GIRLS SOFTBALL | 764 | 11,013 | 7,945 | 3,832 | - | - | 3,832 |
| GREENHOUSE | 6,007 | 9,271 | 9,703 | 5,575 | - | - | 5,575 |
| GREEN TEAM | - | 123 | - | 123 | - | - | 123 |
| HANDICAPPED ATHLETIC | 244 | - | 244 | - | - | - | - |
| HELP DESK | 2,199 | 916 | 366 | 2,749 | - | - | 2,749 |
| JUNIORS | 3,630 | 24,058 | 24,018 | 3,670 | - | - | 3,670 |
| JROTC | 7,456 | 24,274 | 18,611 | 13,119 | - | - | 13,119 |
| KEY CLUB | 1,866 | 414 | - | 2,280 | - | - | 2,280 |
| LIBRARY FUND | 2,623 | 1,955 | 2,140 | 2,438 | - | - | 2,438 |
| MAGNET SCHOOL | 7 | 500 | 473 | 34 | - | - | 34 |
| MAINTENANCE | 8 | 25,000 | 24,614 | 394 | - | 52 | 342 |
| MULTI MEDIA | 992 | 200 | 1,192 | - | - | - | - |
| COPY PAPER ACCOUNT | - | 15,000 | - | 15,000 | 10,000 | - | 25,000 |
| PEP CLUB | 11,891 | 9,747 | 13,130 | 8,508 | - | - | 8,508 |
| PHYSICAL EDUCATION | 369 | 1,583 | 1,952 | - | - | - | - |
| PROJECT GRADUATION ACTIVITIES | - | 12,721 | 400 | 12,321 | - | 83 | 12,238 |
| RECIPES FOR SUCCESS | 491 | 3,829 | 4,007 | 313 | - | - | 313 |
| SCHEDULES | 1,651 | 60,734 | 60,218 | 2,167 | - | - | 2,167 |
| SCHOOL STORE | 2,801 | 894 | 59 | 3,636 | - | - | 3,636 |
| SCIENCE | 90 | 4,859 | 4,502 | 447 | - | - | 447 |
| SENIORS | 10,303 | 8,922 | 9,650 | 9,575 | - | 82 | 9,493 |
| SOCCER, BOYS | 4,734 | 5,835 | 6,380 | 4,189 | - | 41 | 4,148 |
| SOCCER, GIRLS | 2,048 | 1,960 | 1,433 | 2,575 | - | - | 2,575 |
| SOCIAL STUDIES CLUB | 116 | 5,368 | 5,366 | 118 | - | - | 118 |
| SOPHOMORES | 1,895 | 3,365 | 3,670 | 1,590 | - | - | 1,590 |
| STUDENT ASST. PROGRAM | 1,202 | - | 1,202 | - | - | - | - |
| STUDENT COUNCIL | 1,042 | - | - | 1,042 | - | - | 1,042 |
| SWIMMING | 1,059 | 1,000 | 2,052 | 7 | - | - | 7 |
| TENNIS | 4,469 | 4,119 | 4,242 | 4,346 | - | - | 4,346 |
| TEXTBOOKS | 2,249 | 37,694 | 37,688 | 2,255 | - | - | 2,255 |
| TRACK, BOYS | 1,941 | 1,781 | 2,516 | 1,206 | - | - | 1,206 |
| TRACK, GIRLS | 1,514 | 1,314 | 2,828 | - | - | - | - |
| TOYOTA GRANT | 8,796 | - | 8,796 | - | - | - | - |
| TORJAN TRUST BANK | 766 | 1,473 | 2,239 | - | - | - | - |
| TROJAN THREADS | 136 | 25,079 | 22,361 | 2,854 | - | 1,826 | 1,028 |
| TROJAN SPORTS SHOP | - | 9,374 | 6,121 | 3,253 | 5,000 | - | 8,253 |
| VENDING MACHINES | 4,854 | 28,910 | 22,646 | 11,118 | - | 71 | 11,047 |
| VIDEO | 3,682 | - | - | 3,682 | - | - | 3,682 |
| VOLLEYBALL | 26 | 6,783 | 6,808 | 1 | - | 125 | (124) |
| WRESTLING | 9 | 3,450 | 1,940 | 1,519 | - | - | 1,519 |
| Y CLUB | 422 | 10,049 | 10,415 | 56 | - | - | 56 |
| YEARBOOK | 31,856 | 22,337 | 23,958 | 30,235 | - | - | 30,235 |
| THE ZONE | 4,122 | 10,090 | 7,338 | 6,874 | - | - | 6,874 |
| INVESTMENT INCOME | 4,981 | 1,408 | - | 6,389 | - | - | 6,389 |
| | <u>\$ 274,015</u> | <u>\$ 1,125,221</u> | <u>\$ 1,061,599</u> | <u>\$ 337,637</u> | <u>\$ 20,127</u> | <u>\$ 4,961</u> | <u>\$ 352,803</u> |

(1) Included in receipts and disbursements are inter-fund transfers in the amount of \$179,357.

BARREN COUTNY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES - MIDDLE SCHOOL
AND ELEMENTARY SCHOOLS ACTIVITY FUNDS
For the Year Ended June 30, 2012

| | Cash Balance July 1, 2011 | (1) Receipts | (1) Disbursements | Cash Balance June 30, 2012 | Accounts Receivable | Accounts Payable | Due to Student Groups June 30, 2012 |
|---------------------------------|---------------------------------|---------------------|----------------------|----------------------------------|------------------------|---------------------|---|
| BARREN CO. MIDDLE SCHOOL | \$ 42,262 | \$ 333,483 | \$ 327,262 | \$ 48,483 | \$ 7,222 | \$ 5,401 | \$ 50,304 |
| BARREN CO. DAY TREATMENT CENTER | 99 | 1,548 | 1,437 | 210 | - | - | 210 |
| AUSTIN TRACY | 28,421 | 88,344 | 68,975 | 47,790 | - | 41 | 47,749 |
| EASTERN ELEMENTARY | 25,664 | 154,979 | 150,347 | 30,296 | - | 1,238 | 29,058 |
| HISEVILLE ELEMENTARY | 49,849 | 79,492 | 78,619 | 50,722 | - | - | 50,722 |
| NORTH JACKSON | 33,993 | 274,068 | 272,721 | 35,340 | 4,499 | 471 | 39,368 |
| PARK CITY ELEMENTARY | 29,831 | 100,826 | 103,079 | 27,578 | - | 80 | 27,498 |
| RED CROSS ELEMENTARY | 104,827 | 313,810 | 291,803 | 126,834 | - | 264 | 126,570 |
| TEMPLE HILL ELEMENTARY | 23,507 | 136,904 | 140,189 | 20,222 | 4,580 | 6,072 | 18,730 |
| TOTAL | \$ 338,453 | \$ 1,483,454 | \$ 1,434,432 | \$ 387,475 | \$ 16,301 | \$ 13,567 | \$ 390,209 |

(1) Included in receipts and disbursements are Inter-fund transfers in the amount of \$70,675.

BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|---|---------------------------|----------------------------------|-------------------------|
| <u>U.S. Department of Agriculture:</u> | | | |
| Passed-through State Department of Education: | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | 7760005 11/12 | \$ 519,990 |
| National School Lunch Program | 10.555 | 7750002 11/12 | 1,275,778 |
| Summer Meal Program | 10.559 | 7740023 11/12 | 33,379 |
| State Match | 10.582 | 7720012 11 | 2,471 |
| Total Child Nutrition Cluster | | | 1,831,618 |
| Passed-through State Department of Agriculture: | | | |
| Food distribution/Commodities | 10.051 | 775000 11/12 | 150,965 |
| Total Department of Agriculture | | | <u>\$ 1,982,583</u> |
| <u>U.S. Department of Education:</u> | | | |
| Passed-through State Department of Education: | | | |
| Title I Cluster: | | | |
| 2011 Project | 84.010 | 3100002 10 | \$ 159,267 |
| 2012 Project | 84.010 | 3100002 11 | 1,022,256 |
| ARRA - Title I | 84.389 | 4100002 09 | 34,964 |
| Total Title I Cluster | | | 1,216,487 |
| Migrant: | | | |
| 2011 Project | 84.011 | 3110002 10 | 67,449 |
| 2012Project | 84.011 | 3110002 11 | 130,057 |
| | | | 197,506 |
| Education Technology: | | | |
| ARRA-Education Recovery Act | 84.386 | 4210002 09 | 33,110 |
| Education Technology | 84.318 | 3210002 10 | 3,460 |
| | | | 36,570 |
| Handicapped Preschool and School Programs: | | | |
| Special Education Cluster | | | |
| 2011 Project - Special Education | 84.027 | 3810002 10 | 275,824 |
| 2012 Project - Special Education | 84.027 | 3810002 11 | 826,951 |
| 2011 Preschool | 84.173 | 3800002 11 | 18,632 |
| 2012 Preschool | 84.173 | 3800002 11 | 32,942 |
| ARRA - IDEA B | 84.391 | 4810002 09 | 19,109 |
| Total Special Education Cluster | | | 1,173,458 |
| Title II: (Improving Teacher Quality) Cluster | | | |
| 2010 Project | 84.367 | 421002 09 | 186,045 |
| Total Title II Cluster | | | 186,045 |
| Adult Education | 84.002 | - | 311,446 |
| Vocation Education | 84.048 | 4621010 09/10/11 | 34,363 |
| ARRA-Homeless Children | 84.387 | 4990002 09 | 10,369 |
| Education Jobs Fund | 84.410 | EJOB00 10 | 548,735 |
| Learn & Serve America 09 | 94.004 | 1000002 10 | 1,915 |
| Americorps | 94.006 | FAP111-44-00 | 734,610 |
| Twenty-First Century-09 | 84.287 | 3400002 09 | 4,000 |
| Twenty-First Century-10 | 84.287 | 3400002 10 | 133,820 |
| Twenty-First Century-11 | 84.287 | 3400000 11 | 553,760 |
| Twenty-First Century-12 | 84.287 | 3400000 12 | 1,975 |
| Rural Education | 84.358 | 3140002 11 | 113,178 |
| English Langue Acquisition | 84.365 | 3300002 10 | 17,306 |
| School Health Programs | 93.938 | 2000001 11 | 3,000 |
| ARRA-Conservation & Research | 81.086 | 9310002 | 121,703 |
| Total Other Programs | | | 2,590,180 |
| Total Department of Education | | | <u>\$ 5,400,246</u> |
| Total Federal Assistance | | | <u>\$ 7,382,829</u> |

BARREN COUNTY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Barren County Board of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ X Yes _____ None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|------------------------------------|
|----------------|------------------------------------|

| Federal Grantor/Program Title | CFDA Number |
|-------------------------------|-------------|
|-------------------------------|-------------|

Passed Through US Department of Agriculture:

| | |
|-------------------------------|--------|
| Child Nutrition Cluster | |
| School Breakfast Program | 10.553 |
| National School Lunch Program | 10.555 |
| Summer Meal Program | 10.559 |
| State Match | 10.582 |
| Food Distribution/Commodities | 10.051 |

Passed Through Kentucky Department of Education:

| | |
|--|--------|
| Special Education Cluster (IDEA): | |
| Special Education (IDEA)- Grants to States | 84.027 |
| Special Education- Preschool Grants | 84.173 |
| Special Education- Grants to States- ARRA | 84.391 |
| ARRA-Conservation and Research Development | 81.086 |
| Twenty-First Century Community Learning | 84.287 |

Dollar threshold used to distinguish
Between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ X Yes _____ No

**BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

II. FINANCIAL STATEMENTS FINDINGS

a. 2012-1

Barren County Board of Education

Criteria: Monthly bank account reconciliations are the primary internal control procedure relating to the District's cash management policies.

Condition: During the fiscal year ending June 30, 2012, it was noted that account reconciliations were being prepared; however, the accounts were not completely reconciled.

Cause: Certain monthly bank reconciliations noted an unreconciled amount that was not being addressed in a timely manner.

Effect: Although the amount may not have been material to the overall financial position of the District, it may obscure significant offsetting items such as bank errors or improperly recorded transactions that would be a cause for investigation if the items were apparent.

Recommendation: Unreconciled amounts should be investigated and not be allowed to carry over from month to month.

Response: The finance department of Barren County Board of Education understands the importance and will address unreconciled items on a monthly basis.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

a. None Reported.

**BARREN COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012**

Barren County Board of Education

Prior Audit Finding 2011-1

Activity fund monies were expended in amounts in excess of the amounts set forth in KRS 424.260 under *Model Procurement Law* without evidence that they were reviewed under the KRS statute.

Recommendation:

Annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2009 and current issues were brought to the attention of administrative personnel. Furthermore, all individuals in charge of expending or reviewing District funds will be provided a copy of *KRS 424.260*.

Current Status:

Barren County Board of Education did conduct annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book). Furthermore, persons previously responsible were reminded of compliance requirements and avenues of communication to ensure compliance were laid out for all personnel.

CAMPBELL, MYERS, & RUTLEDGE, PLLC

Certified Public Accountants

Cindy L. Greer, CPA
L. Joe Rutledge, CPA
Jonathan W. Belcher, CPA
R. Brent Billingsley, CPA

Skip R. Campbell, CPA
Sammie D. Parsley, CPA
Ryan A. Mosier, CPA
Jenna B. Pace, CPA

410 South Broadway
Glasgow, KY 42141
Telephone (270) 651-2163
Fax (270) 651-6677
www.cmr-cpa.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the Barren County Board of Education's basic financial statements and have issued our report thereon dated November 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the *Kentucky State Committee for the School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Contract*.

Internal Control Over Financial Reporting

Management of Barren County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Barren County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Barren County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Barren County Board of Education's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2012-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barren County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed instances of material noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements* and which are described in the accompanying schedule of findings and questioned costs as items 2012-1.

We noted other matters that we reported to management of Barren County Board of Education in a separate letter dated November 1, 2012.

Barren County Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Barren County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Kentucky State Committee for School District Audits, the members of the Board of Education, the Kentucky Department of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants

Glasgow, Kentucky

November 1, 2012

CAMPBELL, MYERS, & RUTLEDGE, PLLC

Certified Public Accountants

Cindy L. Greer, CPA
L. Joe Rutledge, CPA
Jonathan W. Belcher, CPA
R. Brent Billingsley, CPA

Skip R. Campbell, CPA
Sammie D. Parsley, CPA
Ryan A. Mosier, CPA
Jenna B. Pace, CPA

410 South Broadway
Glasgow, KY 42141
Telephone (270) 651-2163
Fax (270) 651-6677
www.cmr-cpa.com

Independent Auditor's Report on Compliance With Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

Compliance

We have audited Barren County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Barren County Board of Education's major federal programs for the year ended June 30, 2012. Barren County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Barren County Board of Education's management. Our responsibility is to express an opinion on Barren County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the *Kentucky State Committee for the School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Contract*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Barren County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Barren County Board of Education's compliance with those requirements.

In our opinion, Barren County Board of Education, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of Barren County Board of Education, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Barren County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Barren County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Barren County Board of Education, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Campbell, Myers & Rutledge, PLLC
Certified Public Accountants

Glasgow, Kentucky
November 1, 2012

CAMPBELL, MYERS, & RUTLEDGE, PLLC

Certified Public Accountants

Cindy L. Greer, CPA
L. Joe Rutledge, CPA
Jonathan W. Belcher, CPA
R. Brent Billingsley, CPA

Skip R. Campbell, CPA
Sammie D. Parsley, CPA
Ryan A. Mosier, CPA
Jenna B. Pace, CPA

410 South Broadway
Glasgow, KY 42141
Telephone (270) 651-2163
Fax (270) 651-6677
www.cmr-cpa.com

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

In planning and performing our audit of the financial statements of the Barren County Board of Education as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Barren County Board of Education's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants
Glasgow, Kentucky

November 1, 2012

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS
June 30, 2012**

PRIOR YEAR COMMENTS

Barren County High School:

Prior fiscal year condition: Activity fund monies were expended in amounts in excess of the amounts set forth in KRS 424.260 under *Model Procurement Law* without evidence that they were reviewed under the KRS statute.

Observation: Barren County Board of Education did conduct annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book). Furthermore, persons previously responsible were reminded of compliance requirements and avenues of communication to ensure compliance were laid out for all personnel.

Barren County Board of Education

Prior fiscal year condition: Current segregation of duties within the payroll department does not allow for complete adherence to segregation of duties as it relates to the establishment and payment of District personnel.

Observation: While procedural changes have been made within the payroll department, the lack of segregation of duties remains a current year comment.

CURRENT YEAR COMMENTS

Barren County Board of Education – Significant Deficiency Item 2012-1

Criteria: Monthly bank account reconciliations are the primary internal control procedure relating to the District's cash management policies.

Condition: During the fiscal year ending June 30, 2012, it was noted that account reconciliations were being prepared; however, the accounts were not completely reconciled.

Cause: Certain monthly bank reconciliations noted an unreconciled amount that was not being addressed in a timely manner.

Effect: Although the amount may not have been material to the overall financial position of the District, it may obscure significant offsetting items such as bank errors or improperly recorded transactions that would be a cause for investigation if the items were apparent.

Recommendation: Unreconciled amounts should be investigated and not be allowed to carry over from month to month.

Response: The finance department of Barren County Board of Education understands the importance and will address unreconciled items on a monthly basis.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS, CONTINUED
June 30, 2012**

Barren County Board of Education

Criteria: A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the District's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency.

Condition: The payroll manager is responsible for paying employees and the subsequent review of payroll disbursements.

Cause: Current segregation of duties within the payroll department does not allow for complete adherence to segregation of duties as it relates to the disbursement of payroll funds and the review of those disbursements.

Effect: Inaccuracies could arise with the payment of employees and those errors could go undiscovered while not being reviewed by other personnel.

Recommendation: We recommend that payroll information be reviewed by other finance personnel to ensure complete and accurate payment of district employees.

Response: The District perceives that this segregation can be accomplished by other District finance personnel being available to review payroll records.

Barren County Day Treatment Center

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth accounting guidelines that should be adhered to by School Activity Funds.

Condition: The Barren County Day Treatment Center was not using the proper School Activity forms and guidelines to monitor and record its cash receipts and disbursements.

Cause: The Barren County Day Treatment Center not a typical school fund, it is a relatively new program and its cash activity is rather miniscule. The Center perceived it was not subject to these guidelines.

Effect: The Center is subject to the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) and its activity was not being governed properly.

Recommendation: All District personnel authorized to dispense any District funds should be thoroughly educated on *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) guidelines.

Response: Annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2009 and current issues were brought to the attention of administrative personnel. Day Treatment Center finance personnel will be included in this training. Furthermore, all individuals in charge of expending or reviewing District funds will be provided a copy of *KRS 424.260*.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS, CONTINUED
June 30, 2012**

Barren County Board of Education

Criteria: The Barren County Board of Education has continued to grow and add additional staff while increasing the burden on the payroll department. Departmental policies are crucial in allowing for efficiency in staffing while incurring growth.

Condition: Stipend payments and overtime pay occur at irregular intervals as they relate to the time the service was performed.

Cause: The payroll department does not have predefined payment dates for stipend pay nor overtime pay and deadlines in which the appropriate information will be received.

Effect: The irregular timing of these payments creates an undue hardship on the payroll department and increases the likelihood of errors in payments as they are not paid on regular intervals.

Recommendation: We recommend that stipend pay be paid on predefined pay dates and that overtime be paid on following pay period for which overtime is earned.

Response: The District perceives that this is attainable and will increase department efficiency. The District will enforce the policy to the supervisors and their departments in that complete and accurate information is received timely.

Barren County High School

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth accounting guidelines that stipulate that no fund shall end the year in a deficit balance.

Condition: The Barren County High School had a fund that ended the year in a deficit balance.

Cause: Consideration was not given to account payable when examining end of year balances by finance personnel.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend emphasis on accounts payable and receivables be placed on annual red book training as well as an explanation as to how end of year balances will be effected.

Response: Annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2009 and current issues were brought to the attention of administrative personnel for emphasis.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS, CONCLUDED
June 30, 2012**

Barren County Middle School

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth accounting guidelines that stipulate that no fund shall end the year in a deficit balance.

Condition: The Barren County Middle School had a fund that ended the year in a deficit balance.

Cause: Annual review of fund balances was not conducted at the end of the year.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that both the school principal and bookkeeper be reminded that this is a point of emphasis when they review and sign the monthly AFR.

Response: Annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2009 and current issues were brought to the attention of administrative personnel for emphasis.

